

FISCAL NOTE WORKSHEET (Revised Nov. 2006)

Agency: Utah State Office of Education
Daniel Schoenfeld
 Requested By

Bill Number HB 174

Office of the Legislative Fiscal Analyst
 W310 State Capitol Complex
 Salt Lake City, UT 84114-5310
 538-1034 / Fax 538-1692

Fax/Electronic Mail Transmittal

Date:	_____
Name:	_____
Fax Number:	_____

Please return to Fiscal Analyst by: February 16, 2007

TITLE OF BILL: Education Voucher Amendments

This Bill Takes Effect: ☐ On Passage ☐ On July 1 ☐ 60 Days after session ☒ Other Retro to 1-1
 Bill Carries Own Appropriation: ☐

FISCAL IMPACT OF PROPOSED LEGISLATION

A. Revenue Impact by Source of Funds:

	First Year	Second Year
1. General Fund		
2. Unifrom School Fund - Free Revenue		
3. Transportation Fund		
4. Collections		
5. Other Funds (List Below)		
6 Local Funds		
7. TOTAL	\$0	\$0

B. Expenditure Impact by Source of Funds:

1. General Funds	\$10,214,000	\$11,898,000
2. Unifrom School Fund - Free Revenue		
3. Transportation Fund		
4. Collections		
5. Other Funds (List Below)		
6 Local Funds		
7. TOTAL	\$10,214,000	\$11,898,000

C. Expenditure Impact Summary:

1. Salaries, Wages and Benefits <u>voucher administration</u>	\$300,000	\$300,000
2. Travel		
3. Current Expenses		
4. Capital Outlay		
5. Other (Specify) <u>vouchers</u>	\$9,914,000	\$11,598,000
6. TOTAL	\$10,214,000	\$11,898,000

D. Impact in Future Years?

The cost of the program will grow steadily until it begins to level off about 11 years beyond the second year estimate when every private school student is issued automatically issued a voucher. Beyond the first year, assuming no change to private schooling -- other than an effective reduction in tuition price -- that makes it more attractive than it is now (Utah has the lowest rate of private schooling in the nation), the voucher will become essentially a subsidy for students who would have attended private school in any case.

E. Identify Sections of the Bill That Will Generate the Additional Workload or Cost Increase

This bill is essentially a substitute for HB 148. The main difference with relevance to fiscal analysis is that this bill provides a smaller voucher at every level of income. See Section H for the impact on USOE administrative operations, which are stated or implied at many points throughout the bill.

F. Expenditure Impact Details (*Ties to totals in Section C*)

METHOD: The entire methodology is given on the Model Calculator tab. The calculation of the Average Voucher Amount is detailed on its own tab.

WHAT'S NEW IN THIS BILL COMPARED TO HB 148: (1) Parents explicitly responsible for transportation costs to and from private schools (2) Board rule must state how income will be verified (3) Audit will occur two years earlier in 2011-2012 (4) Private school teachers must have criminal background checks (5) Appropriation for administration is doubled to \$200,000.

NOTE: Mitigation monies and penalties remain from HB 148 since they are not explicitly included in HB 174.

G. No Fiscal Impact or Will Not Require Additional Appropriations?

Not applicable.

H. If Bill Carries It's Own Appropriation:

See the "administrative costs" attachment, originally prepared on the basis of HB 148 by Patrick Ogden.

I. Impact on Local Governments, Businesses, Associations, and Individuals

Local School Districts/Charter Schools : Because the voucher program as designed is based on self selection and will only shift a tiny fraction of students from the public to the private sector, its impact is likely to be obscure, except perhaps in a few highly localized areas. Empirical evidence from studies of existing voucher programs, none of which are similar in setting, is mixed on whether vouchers lead to demographic segregation. The relatively much smaller amount of the voucher compared to the current level of MSP support makes it unlikely that any charter school would convert to the private sector.

Businesses and Associations: The fiscal impact is unclear, because if the assumption of an infinite elasticity of supply is wrong, private schools will have to increase tuition to cover the cost of adding capacity and that could substantially reduce if not wipe out the benefit of the voucher. In any case, schools that accept voucher students will have to submit to additional regulation by the state.

Individuals: Each private school employee who has significant unsupervised contact with children will have to pay about \$120 for a criminal background check.

Narrative Description of Bill : In relation to HB 148, which has already been signed into law but is not yet effective, this bill: modifies criteria for qualifying for a scholarship; modifies criteria for private schools to enroll scholarship students; modifies provisions relating to the State Board of Education; and modifies the review by the legislative auditor general.

This is a draft fiscal note response from the Utah State Office of Education (USOE) and may be revised in the future.

This fiscal note input draft does not imply endorsement of this bill by the State Board of Education or USOE.

HB 174 Education Voucher / Fiscal Impact Analysis

FY 2008	
How large is the base population?	
Projected K-12 enrollment	540,189 = Common Data Committee (GOPB, LFA, USOE)
Reported in home schools	8,540 = Year End 2006 Survey (of districts by USOE)
Total eligible base	548,729
By how much will a voucher reduce private school tuition?	
Average private school tuition price	\$6,638 = 79.7% of national average tuition (\$6779) in 2000 from NCES Digest, 2005, Table 59) adjusted for inflation (Retail Price using BLS & CBO)
Average amount of voucher	\$2,008 = assuming voucher participants are demographically similar to taxpayers (see Average Voucher Amount tab)
Reduction	30.2% = voucher / tuition
How will the reduction affect the enrollment decision?	
Price elasticity of demand for private schooling	48.0% = "most commonly cited figure" (National Center for Study of Privatization in Education, 1991, Occasional Paper #33, p.5)
Switch rate	14.5% = reduction * elasticity
How many eligible students will there be?	
Private total base enrollment	16,386 = Fall 2006 Survey (of private schools by USOE)
Switching to private because of voucher (lines 98-99)	2,379 = switch rate * private school enrollment in absence of voucher (assuming infinite elasticity of supply)
Private already at or below poverty (lines 101-103)	1,721 = 10.5% of K-12 private base enrollment (Census estimate of school age poverty in Utah in 2004 used to allocate Title I)
Private never resident immigrants (line 100)	180 = 1.1% of K-12 private base enrollment (GOPB net immigration rate for Utah from 2005 to 2006)
Estimated 1-12 voucher participants subtotal	4,280
Estimated K voucher participants (line 97)	1,196 = 7.3% of total private enrollment (ratio of K to private K-12 in Fall 2005)
How many voucher dollars are required to ensure full funding?	\$9,914,485 = (K participants * voucher * 55%) + (Gr. 1-12 participants * voucher)
FY 2009	
How large is the base population?	
Projected K-12 enrollment	553,428
Reported in home schools	8,540
Total eligible base	561,968
By how much will a voucher reduce private school tuition?	
Average private school tuition price	\$6,784
Average amount of voucher	\$2,008
Reduction	29.6%
How will the reduction affect the enrollment decision?	
Price elasticity of demand for private schooling	48.0%
Switch rate	14.2%
How many eligible students will there be?	
Private total base enrollment	16,769 = 3.03% of total eligible base (approximate ratio of private to public school enrollment in Fall 2006)
Switching to private because of voucher	3 = [switch rate * private school enrollment in absence of voucher (assuming infinite elasticity of supply)] - prior year switchers
Private never resident immigrants	184
Prior year Grade 1-11 voucher participants	3,822 = prior year Grade 1-12 participants - 10.7% (ratio of grade 12 to grades 1-12 in Fall 2005 to simulate loss due to graduation)
Prior year K participants now in 1st grade	1,093 = 91.4% of PY Kindergarten enrollment (ratio of grade 1 to K in Fall 2005)
Estimated 1-12 voucher participants subtotal	5,103
Estimated new K voucher participants	1,224
How many voucher dollars are required to ensure full funding?	\$11,597,852

HB 148 Average Voucher Amount Estimate

Lines 253-269		State Tax	Commission	
		(Tom Williams)		
Income Level	Voucher Amount	TY 2003		
<= 100%	\$3,000	30.4%		\$913
> 100% & <= 125%	\$2,750	9.8%		\$268
> 125% & <= 150%	\$2,500	9.0%		\$225
> 150% & <= 175%	\$2,250	8.1%		\$182
> 175% & <= 200%	\$2,000	7.0%		\$141
> 200% & <= 225%	\$1,750	6.0%		\$105
> 225% & <= 250%	\$1,000	5.1%		\$51
> 250%	\$500	24.6%		\$123
		100.0%		\$2,008